Fiscal Note

Fiscal Services Division

SF 395 – Property Taxation, Undeveloped Subdivisions (LSB 1901SV)
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Fiscal Note Version – New

Description

Senate File 395 removes the three-year limit currently in place for subdivided property to be assessed only on its value as an acreage or unimproved land before being assessed at its actual value as subdivided property. With enactment of SF 395, any undeveloped lots in a subdivision would remain at the lower acreage/unimproved land assessed value until permanent structures are built, without any regard to the property's market value. This section applies to any class of subdivided property.

The Bill also removes permissive three-year and five-year limits on changes to the classification of undeveloped, subdivided property. The three-year or five-year limit is available if an ordinance is adopted by the appropriate Board of Supervisors. The five-year limit applies to counties with a population under 20,000, while the three-year limit applies to larger counties. With the change in SF 395, and with the adoption of an appropriate ordinance, undeveloped, subdivided property could remain in the presubdivided property class indefinitely.

The changes are effective beginning assessment year 2012.

Assumptions

- Section 2 of SF 395, concerning assessment of plotted lots, is not limited to residential subdivisions, however, only residential property is assumed in the examples in this fiscal analysis.
- The average residential consolidated property tax rate is $37.00 per thousand and the Uniform Levy for schools equals $5.40 of the consolidated rate.
- A residential rollback of 50.0% is assumed.
- The average difference between the value of a lot as acreage/undeveloped property and the market value of the same lot is assumed to be $15,000.
- The number of lots impacted by SF 395 is not known.
- The fiscal impact of the change in Section 1 of the Bill concerning housing development tax status, is not included since this benefit is only allowed if the appropriate Board of Supervisors approves the benefit. Once approved however, the Board decision would negatively impact the State School Aid appropriation and all local government entities taxing the property.

Fiscal Impact

Sufficient data is not available to make a reasonable estimate of the negative impact this change would have on local revenue and the State School Aid appropriation. The following table presents fiscal impact examples at several levels of utilization, with the first line showing the impact of a single, 10-lot subdivision that remains undeveloped.

Potential Annual Tax Impact of SF 395
Assumes an Average Assessed Value Difference of $15,000 per lot
Assumes a Residential Rollback of 50.0% & Average Tax Rate of $37.00/thousand

Number of Lots	Assessed Value	Impact on State School Aid	Impact on Local Governments	Property Tax Reduction
10	$150,000	-$405	-$2,370	-$2,775
400	$6,000,000	-$16,200	-$94,800	-$111,000
2,000	$30,000,000	-$81,000	-$474,000	-$555,000
4,000	$60,000,000	-$162,000	-$948,000	-$1,110,000

Senate File 395 could allow subdivided but undeveloped lots that have already passed the three-year time limit allowed under Code Section 441.72 to revert to an acreage/undeveloped assessment value.

Senate File 395 could also allow developers in the future to market property in a way to take advantage of the special acreage/unimproved property value assessment on lots that remain without permanent construction. For instance, one-acre lots could be divided into two half-acre lots and sold to the same owner, with one half-acre lot used for the house and buildings and the other used as the home’s yard. As long as the new owner did not construct anything permanent on the half-acre yard portion, that portion could remain taxed as acreage/unimproved property indefinitely.

Sources

Legislative Services Agency analysis
Department of Revenue

/s/ Holly M. Lyons

March 17, 2011

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the correctional and minority impact statements were prepared pursuant to Code **Section 2.56**. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.